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FOURTH PUBLIC ANNUAL REPORT

OF

MARSHALL FIELD & COMPANY AND SUBSIDIARIES

YEAR ENDED
DECEMBER 31, 1933

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MARSHALL FIELD & COMPANY

BOARD OF DIRECTORS

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THOMAS H. EDDY
MARSHALL FIELD
STANLEY FIELD
JOHN McKINLAY
CHARLES H. SCHWEPPE
JAMES SIMPSON
JAMES SIMPSON, JR.
JOHN P. WILSON
DAVID M. YATES

OFFICERS

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JOHN McKINLAY, *President*
DAVID M. YATES, *First Vice-President*

Vice-Presidents

FREDERICK D. CORLEY
HARRISON P. SHEDD
GEORGE W. YOUNG

Secretary-Treasurer

THOMAS H. EDDY

Comptroller

ERNEST L. OLRICH

HUGHSTON M. McBAIN, *Assistant to the President and Assistant Treasurer*

KENNETH E. ARMSTRONG, *Assistant Comptroller*

RALPH H. PIERCE, *Assistant Secretary*

NOV 4 1935

PRINCIPAL SUBSIDIARIES OF MARSHALL FIELD & COMPANY

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THE CAROLINA COTTON & WOOLEN MILLS COMPANY

President - - - - - - - - - - - WILLIAM D. CARTER

First Vice-President - - - - - - - LUTHER H. HODGES

Secretary and Treasurer - - - - - - ERNEST D. PITCHER

THE DAVIS COMPANY

President - - - - - - - - - - - PAUL C. FLEER

Secretary and Treasurer - - - - - - THOMAS H. EDDY

Assistant Treasurer - - - - - - - GUSTAV H. ZICKFELD

FREDERICK & NELSON

President - - - - - - - - - - - WILLIAM H. ST. CLAIR

First Vice-President - - - - - - - HENRY B. OWEN

Second Vice-President - - - - - - - FRANK E. MAYOL

Secretary and Treasurer - - - - - - THOMAS LEWIS

TO OUR STOCKHOLDERS

•

The atmosphere in which we make this report to you is vastly different from a year ago. It is true in our business, and no doubt in most others. A year ago we ended 1932 with a loss of almost $8,000,000; now we end 1933 with a profit of $97,600. Shown by quarters, our results for the last two years were as follows:

Net Profit and Loss

	1933		1932	
First quarter	Loss	$2,073,500	Loss	$2,294,100
Second quarter	Loss	301,900	Loss	4,107,000
Third quarter	Profit	955,000	Loss	1,709,800
Fourth quarter	Profit	1,518,000	Profit	123,700
	1933 net profit	$ 97,600	1932 net loss	$7,987,200

Net Sales

	1933	1932
First quarter	$15,433,200	$19,370,200
Second quarter	20,561,300	18,646,000
Third quarter	24,745,600	16,357,700
Fourth quarter	27,717,900	23,893,900
	$88,458,000	$78,267,800

Practically every division of our business contributed to this improved showing. Our main retail store showed a substantial profit in the last six months, as did our wholesale and manufacturing division. While The Merchandise Mart still showed a loss, it was substantially less than a year ago, and with improved conditions we hope the time is not far distant when it will carry itself and even make a profit. Other divisions of the business not yet in black figures all show much reduced losses.

As an indication of our manufacturing activity, we had 5,453 employes in our plants at the peak of 1932, and 8,003 at the peak in 1933; never before were there as many as 8,000 employes on our manufacturing payrolls at one time. During the past year we have made capital improvements in these plants to the amount of $549,800, in addition to having purchased a silk and rayon weaving mill at High Point, North Carolina, which is in the immediate vicinity of our mills located at Spray, Draper, and Leaksville, North Carolina and Fieldale, Virginia. The ever-widening circle of acceptance of

our manufactured products by retail merchants is a source of gratification to us. We invite you to see an exhibit now on the fourth floor of our main retail store which is an attempt to give some idea of the scope of our manufacturing business.

In our retail stores we are also making expenditures for physical improvements. One of the latest is the installation of electrical moving stairways in our main retail store, which will be of striking appearance and pronounced benefit when completed, at a cost of approximately $500,000. We should also mention improvements going forward in our other Chicago store, The Davis Company, which will stamp that fast-growing organization as one of the leading popular-priced stores. Important improvements are also in progress at Frederick & Nelson, our Seattle store. You will learn more of these and other changes from time to time.

We are very conscious, however, that changes in machinery and fixtures will not automatically produce results, but must be accompanied by, or rather preceded by, necessary changes in personnel. This has been done. The result is a more aggressive and courageous spirit throughout the organization—a spirit that will enable it to take advantage of the better times ahead and return to the profitable operations of former years.

Mention properly may be made here of the ever-present tax burden which this and every other business must bear. Our company paid, or will pay when bills are rendered, the following taxes for the year 1933:

Federal government	$ 940,300
State of Illinois	464,700
City of Chicago	577,800
County of Cook	123,000
Chicago Board of Education	416,800
Chicago Sanitary District	156,700
Cook County Forest Preserve	27,600
Chicago South Park	146,800
Chicago Lincoln Park	86,300
Other Illinois taxes	32,200
Within the state of North Carolina	137,400
Within the state of Washington	118,500
Within the state of Virginia	20,000
Within other states	30,000
TOTAL	$3,278,100

This is not the place, and perhaps not the time, to criticize governmental expenditures, but surely it is the time to have a thorough appreciation of the effect of them upon a business.

In connection with taxes, we took the lead last October in including the two per cent retail occupation tax of Illinois in our prices, like any other expense, instead of adding it as a separate item. We did so because we think merchants should make it easy rather than irritating for consumers to buy goods, and because it is no part of the business of selling goods to pick out some particular form of tax and make it especially odious to consumers. Without implying any approval of this form of taxation, we are entirely satisfied with our simplified method of handling it.

Our net profit of $97,600 of course is after payment of interest of $1,371,500, and after charge-off for depreciation of fixed assets of over $2,100,000, and after ample reserves for taxes, inventory losses and bad debts, and also after extraordinary repairs and improvements in our main retail store amounting to $343,000 paid out of current earnings. Reserves of $800,000 set aside in prior years have become unnecessary and were therefore credited to surplus. During the year we retired $1,154,300 of our debenture bonds, of which amount nearly $500,000 were not yet due. Ratio of current assets to current liabilities at December 31, 1933, was 7.4 to 1.

We are often asked what the result of the NRA is on our business. It is difficult, in the ever-changing picture of a business such as ours, definitely to analyze the effect of that legislation. The only answer we can make is that for more than two years the volume of business done was insufficient to cover our expenses; that this was changed so that a loss of $2,375,000 in the first six months was more than recovered in the last six months; and that on December 31, 1933, after our extra Christmas employes had left us, we had 22,532 employes in our entire business, as compared with 18,877 at the end of the year before. Our business so far in 1934 is showing substantial increases over last year—the first half of which, it must be remembered, was very poor. Whether all this improvement is a result of the NRA, or in spite of it—who knows?

JOHN McKINLAY,
President.

February 22, 1934.

MARSHALL FIELD & COM

CONSOLIDATED BALANCE

ASSETS

CURRENT ASSETS:		
Cash		$ 2,066,788.71
United States Government securities at cost (market value $8,120,637.85)		8,047,072.80
Receivables—		
Customers' accounts and notes	$12,339,717.44	
Rents, accrued interest on securities, etc.	573,481.11	
	$12,913,198.55	
Less—Reserves for doubtful accounts and discounts	1,698,553.63	11,214,644.92
Advances to foreign offices for merchandise purchases (net)		528,661.11
Merchandise inventories, certified by the management as to quantities and condition, valued at the lower of cost or market		24,566,800.28
TOTAL CURRENT ASSETS		$ 46,423,967.82
DEFERRED CHARGES:		
Prepaid expenses and supply inventories	$ 645,385.08	
Bond discount—in process of amortization	251,164.00	896,549.08
MISCELLANEOUS SECURITIES at cost:		
Securities deposited under construction agreements	$ 243,990.18	
Other securities	298,044.02	542,034.20
FIXED ASSETS, at cost:		
Land	$ 3,844,576.42	
Leaseholds	3,865,321.83	
Buildings	49,915,326.42	
Equipment	17,566,865.82	
	$75,192,090.49	
Deduct—Reserves—		
Amortization of leaseholds $ 431,812.31		
Depreciation of buildings and equipment 22,562,543.15	22,994,355.46	52,197,735.03
GOODWILL, TRADEMARKS, ETC.		1.00
		$100,060,287.13

NOTES: 1. Contingent liabilities—
Under letters of credit
Under construction agr
2. Dividends on the cumula
$3,628,327.50 in arrear

PANY AND SUBSIDIARIES

SHEET—DECEMBER 31, 1933

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable	$ 2,148,543.27	
Accrued expenses	957,935.68	
Accrued taxes—less $1,675,443 tax-anticipation warrants held thereagainst	2,466,335.21	
Debentures and accrued interest—due January 1, 1934....$786,789.75		
Less—Cash deposited with Trustee	786,789.75 —	
First-mortgage bonds due in 1934	700,000.00	
TOTAL CURRENT LIABILITIES		$ 6,272,814.16
FUNDED DEBT (current maturities included above):		
4½% debenture gold bonds maturing serially January 1, 1935 to January 1, 1946	$ 9,924,000.00	
5% first-mortgage serial gold bonds maturing serially June 1, 1935 to June 1, 1949	15,900,000.00	25,824,000.00
RESERVES:		
Contingent	$ 2,700,000.00	
Miscellaneous	674,833.71	3,374,833.71
EMPLOYES' MINORITY INTEREST IN CAPITAL STOCK AND SURPLUS (DEFICIT) OF SUBSIDIARIES		65,069.56
CAPITAL STOCK AND SURPLUS:		
Preferred stock—7% cumulative $100-par value—callable at $120— Authorized 400,000 shares Issued and outstanding 296,190 shares	$29,619,000.00	
Common stock—no-par value— Authorized 2,000,000 shares Issued 1,400,000 shares, at stated value	14,000,000.00	
	$43,619,000.00	
Paid-in surplus	5,001,898.65	
Earned surplus (of which $226,773.97 is restricted by reason of purchase of treasury stock until such stock is sold or canceled)	16,129,445.02	
Capital stock and surplus before deducting treasury stock	$64,750,343.67	
Less—Treasury common stock: 15,278 shares, at cost	226,773.97	
Capital stock and surplus, net		64,523,569.70
		$100,060,287.13

.....$ 290,000.00
ements 1,200,000.00
ive-preferred stock are
(since March 31, 1932).

MARSHALL FIELD & COMPANY AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED PROFIT-AND-LOSS AND SURPLUS ACCOUNTS

For the Year Ended December 31, 1933

CONSOLIDATED PROFIT-AND-LOSS ACCOUNT

NET SALES TO CUSTOMERS		$88,457,957.31
COST OF SALES AND OPERATING EXPENSES, including net income of real-estate operations, exclusive of depreciation and interest	$85,318,154.17	
DEPRECIATION AND AMORTIZATION OF FIXED ASSETS	2,110,597.46	87,428,751.63
Net profit from operations		$ 1,029,205.68
OTHER INCOME:		
Interest from securities, notes, etc.	$ 377,401.02	
Profit on sale of securities	62,503.39	439,904.41
Net profit before interest charges		$ 1,469,110.09
INTEREST PAID		1,371,504.79
Net profit		$ 97,605.30

CONSOLIDATED EARNED-SURPLUS ACCOUNT

Balance at December 31, 1932	$15,179,513.72
Portion of contingent reserve restored to surplus	800,000.00
Profit on debentures purchased and canceled	52,326.00
Net profit for the year ended December 31, 1933	97,605.30
Balance at December 31, 1933	$16,129,445.02

ARTHUR ANDERSEN & CO.
ACCOUNTANTS AND AUDITORS
ONE LA SALLE STREET BUILDING
CHICAGO

To the Board of Directors,
Marshall Field & Company:

We have made an examination of the consolidated balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) AND SUBSIDIARIES as at December 31, 1933, and of the statement of consolidated profit-and-loss and surplus accounts for the year ended that date. In connection therewith, we examined or tested accounting records, and other supporting evidence, of the company and its principal retail store and mill subsidiary companies, and obtained information and explanations from officers and employees of those companies; we also made a general review of their accounting methods and of their operating and income accounts for the year, but we did not make a detailed audit of the transactions. With respect to the remaining subsidiaries we examined financial statements on file at the home office.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related statement of profit-and-loss and surplus accounts fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, the financial position of the companies at December 31, 1933, and the results of their operations for the year ended that date.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
February 19, 1934.